

25 - 07 - 96

Nestor - BNA plc

Annual Report and
Accounts 1995

1992/1



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Group Activities



UK Healthcare
proportion of Group
turnover in
1995: 73%

● Nurses, Care Assistants and Duty Doctors

UK Healthcare

BNA is the largest provider of temporary nurses and carers in the United Kingdom through its national network of 124 branches. BNA currently has over 65,000 nurses and other carers on its register to help people in their own homes and to work in hospitals, nursing homes and industry.

Nestor Medical Duty Services provides experienced doctors who visit patients in their homes during the night and at weekends on behalf of client General Practitioners in North West England and the West Midlands.



USA Healthcare
proportion of Group
turnover in
1995: 16%

● Travel Nurses and Allied Health Personnel

USA Healthcare

MRA is a specialist agency, based in Florida, which has become one of the leading suppliers of travel nurses in the United States of America. MRA's nurses and other healthcare personnel move between assignments in different parts of the country, usually in response to seasonal variations in hospital demand. Assignments are normally full-time and of three months duration.



UK Specialist
Personnel proportion
of Group turnover in
1995: 11%

● Temporary Accountants and Productivity Improvement and Technical Personnel

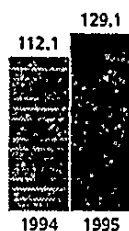
UK Specialist Personnel

Hewitson-Walker places qualified and part-qualified accountants on a temporary basis, primarily in the Greater London area.

Scott-Grant provides temporary management services personnel to work on productivity improvement projects, usually with industrial clients. They also supply other technical personnel on an agency basis.

Financial Highlights

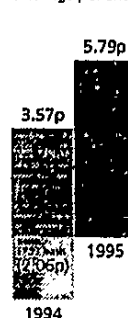
Turnover (continuing operations) – £m



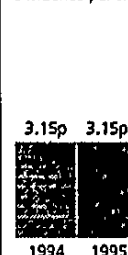
Profit before exceptional items and tax – £m



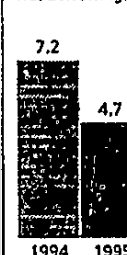
Earnings per share – pence



Dividends per share – pence



Net borrowings – £m



	1995 £m	1994 £m
Turnover – total	129.1	117.7
– continuing operations	129.1	112.1
Profit before exceptional items and tax	6.31	4.13
Exceptional items	–	(4.21)
Earnings per share – FRS3 basis	5.79p	(2.06p)
– before exceptional items	5.79p	3.57p
Dividends per share	3.15p	3.15p
Net borrowings	4.7	7.2

- UK Healthcare continued to grow strongly and produced a 42% operating profit advance. This reflected continuing strong growth from BNA, underpinned by hospital contract gains, and increased activity of the doctors' duty services.
- In the USA, MRA's rationalisation initiatives in 1994 resulted in a significant improvement in profits in the year.
- UK Specialist Personnel generated increased revenues and profits in a competitive market place.
- The Group's financial position strengthened further.
- Maintained dividend – further profit increases would justify dividend growth in the future.

Chairman's Statement

Review of 1995

I am very pleased to announce a significant profit advance in 1995. This reflects our strategic focus on the development of our UK healthcare activities and on optimising the profit opportunities throughout the Group.

In 1995 the Group produced a 53% increase in pre-tax profit to £6.31 million. This compares with last year's profit before exceptional items and tax of £4.13 million. Earnings per share were 5.79p which represented a 62% increase on the earnings before exceptional items in 1994 of 3.57p.

I am particularly pleased with the results of our core UK healthcare businesses which produced growth in revenue of 22% and an operating profit advance of 42% to £6.20 million. This improvement was the result of continued strong growth from BNA, providing greater numbers of temporary nurses and carers to a wide range of clients, increased activity of our doctors' duty services and constant attention to costs and margins. The growth prospects of the UK healthcare

market and our strength and performance within it justify our strategic focus on this area.

Concentration on profit improvement in our USA travel nurse business resulted in marginally lower revenues but a more than a doubling of operating profits to £1.13 million.

In our UK specialist personnel operations, the smallest part of the Group's activities, we again made progress with revenue growth of 15% and a profit advance of 4%.

The financial position of the Group strengthened further in 1995 with a reduction in net borrowings from £7.22 million to £4.74 million and a significant increase in net interest cover to over 18 times. This was achieved through strict control of working capital as well as from the profits generated during the year.

Staff

I am very much aware that the success of the Group depends to a large extent on the skills and dedication of our staff. On behalf of the Board I would like to thank them all for their support and their achievements which are clearly reflected in the results for the year.

Dividend

Your Board is recommending an unchanged final dividend of 2.00p per share to be paid on 24th May 1996 to shareholders registered at close of business on 23rd April 1996, making total dividends for the year 3.15p (1994: 3.15p). It is the view of the Board that profits have now recovered to a point from which further increases would justify dividend growth in the future.

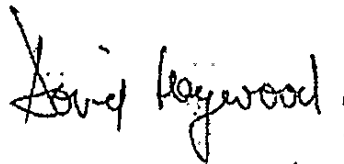
Outlook

I am encouraged by the outlook for the Group. The developments within the UK healthcare market are providing opportunities for sustained growth in turnover and profits. With our national coverage, broad client base and a management focused on providing care services specifically tailored to the needs of our clients, we are ideally

placed to take advantage of the opportunities available. Our recent announcement of gains of three-year contracts from NHS Trust hospitals for the provision of nurses and from Local Authorities for the supply of carers are illustrative of our success. In the USA, market improvements are expected to provide opportunities for further progress and in our UK specialist personnel activities we expect continued improvement.

Our prime strategic focus is on the provision of healthcare services in the UK. The development and strengthening of our position in this market will be achieved both organically and by acquisition where appropriate.

Our view of the future is, therefore, very positive.



David Heywood *Chairman*

25th March 1996

Operating and Financial Review

UK Healthcare turnover (continuing operations) – £m

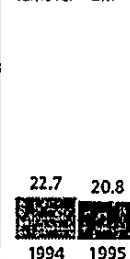


UK Healthcare operating profit (continuing operations) – £m



UK Healthcare showed continued strong growth and achieved further margin improvement

USA Healthcare turnover – £m



USA Healthcare operating profit – £m



MRA's lower cost base and focus on more profitable assignments produced higher profits

Review of Operations

UK Healthcare

During 1995, UK healthcare showed continued strong growth and achieved further margin improvement. Revenue increased by 22% and the operating profit by 42% to £6.20 million.

BNA maintained its momentum throughout the year, with further growth in the provision of nurses and care assistants to a wide and expanding client base and new care initiatives introduced. This activity growth generated a rise in revenue of 24%, including a significant increase in activity with NHS Trust hospitals, both with existing client hospitals and from new contracts gained during the year. BNA also benefited from increased nursing home activity and higher demand in the first half of the year from Local Authorities, helping them with their Care in the Community programmes.

Although the requirements of Local Authorities have been flat this year we have recently been successful in gaining three-year contracts to provide care assistants to support people in their homes for Oxfordshire County Council and Hertfordshire County Council which will underpin future activity in this sector.

During the year, BNA gained ten significant new contracts with NHS Trusts and signed a number of smaller agreements. Some of these hospital contracts also provided a base for expansion into new locations which contributed to the increase in BNA's national branch network from 115 to 124 branches.

Our doctors' duty services also advanced well this year, responding to 9% more calls than in 1994. This resulted in an increase in revenue of 10% which, combined with effective control of operating costs, produced a marked improvement in profits and margins.

USA Healthcare

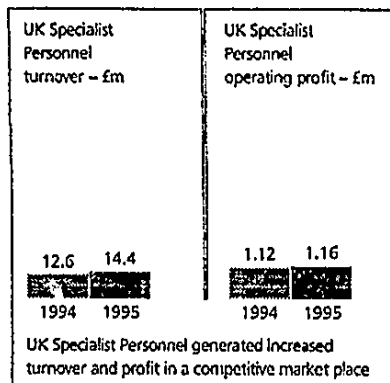
The Group's USA travel nurse operation, based in Florida, has experienced major changes in its market over the last few years. As a consequence, initiatives were taken towards the end of 1994 to improve performance by concentrating on assignments which were more profitable and by reducing the overhead cost base. The effect of this strategy was a slight reduction in US dollar revenues of 7% but an increase in the operating profit of more than \$1.00 million from \$0.76 million (£0.49 million) to \$1.79 million (£1.13 million).

UK Specialist Personnel

Over the course of the year the markets for our specialist personnel services tightened progressively as UK economic growth slowed, and the consequent increase in competitive pressure constrained profit growth. The overall effect was revenue growth for the year of 15% and an increase in operating profit of 4% to £1.16 million.

Central costs

Group management and central costs in the year were £1.82 million (1994: £1.29 million). This included approximately £0.25 million of non-recurring expenditure on corporate projects, including the financial restructuring of MRA, and £0.26 million net lease costs of properties formerly occupied by Nutri/System UK.



Group Financial Review

Turnover

In 1995, Group turnover was £129.1 million. This compares with last year's turnover from continuing operations of £112.1 million, an increase of 15%.

Profit before tax

Operating profits from continuing operations increased by 42% to £6.67 million (1994: £4.70 million) and profit before tax rose by 53% to £6.31 million (1994: £4.13 million before exceptional items and tax).

The net interest charge for the year was £0.36 million (1994: £1.00 million). The reduction reflected the positive financial impact of the sale of the hospitals and nursing homes division in 1994 and strong cash flows from our continuing operations during the year.

The combined effect of the increase in operating profit and reduction in the net interest charge was a substantial rise in the level of net interest cover to over 18 times (1994: 5 times before exceptional items).

Earnings per share

Based on the average number of shares in issue during the year of 74.9 million (1994: 74.8 million) earnings per share were 5.79p. This compares with earnings per share (before exceptional items) in 1994 of 3.57p and last year's FRS3 loss (after exceptional items) of 2.06p.

Dividends

The proposed final dividend is 2.00p (1994: 2.00p) leaving the dividends for the year unchanged at 3.15p (1994: 3.15p).

Taxation

The average rate of corporation tax for the year was 31.3% (1994: 35.3% before exceptional items). This reduced rate reflects the higher level of profits generated by MRA in the USA and the availability of allowable deductions against these overseas profits.

Cash flow and borrowings

During the year, net borrowings reduced from £7.22 million to £4.74 million. This improvement reflected the positive cash flows generated by our service businesses and effective working capital control throughout the year.

At the year end the borrowings comprised net US dollar debt of £3.98 million and net sterling debt of £0.76 million. The total US dollar debt, which is fixed rate and repayable over the next 2 years, amounted to the equivalent of £4.38 million. Short term, variable rate borrowings less cash were £0.36 million. £2.19 million of the US dollar debt is repayable within 12 months.

Capital expenditure

Capital expenditure during the year was £0.78 million (1994: £1.05 million). The main areas of expenditure were nurse bank management systems, doctors' data retrieval and call recording systems, vehicles and additional operational facilities and equipment.

Shareholders' funds

The shareholders' funds at the year end were £4.65 million (1994: £2.56 million), the increase mainly representing the retained profits for the year. The level of shareholders' funds reflects the Group's policy of writing off goodwill on past acquisitions immediately against reserves.

Foreign currency and treasury management

The trading results of overseas businesses are translated into sterling using average exchange rates and the balance sheet at year end rates. Fluctuations in exchange rates can, therefore, have an effect on the Group's financial results and the balance sheet position at the year end.

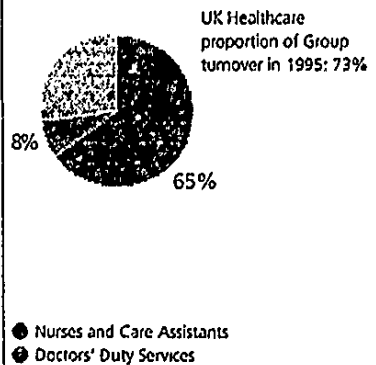
It is the Group's policy to hedge investments in foreign currency businesses by financing these, in part, with loans denominated in the appropriate currencies.

The average US dollar exchange rate for the year was \$1.58 (1994: \$1.56) and the rate at the year end was \$1.55 (1994: \$1.56). The effect of these movements on the Group's pre-tax profit and on the sterling value of borrowings at the end of 1995 was negligible.

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BNA's nurses and carers provided nearly 4.5 million hours of homecare in 1995.

Business Review UK Healthcare



BNA

BNA is the largest provider of temporary nurses and carers in the UK with a national network of 124 branches and a register of over 65,000 nurses and other carers available for work. During 1995 BNA provided 10.5 million hours of care to a wide variety of clients including NHS Trust hospitals – mainly for supplemental nursing staff and nurse bank management – and Local Authorities – mainly for the supply of homecare services. BNA also carried out a considerable amount of work for self-pay patients in their own homes, nursing homes, industry, private hospitals and sundry other clients including, for example, schools and prisons.

Hospital staffing

The provision of supplemental staffing to NHS Trust hospitals is the largest part of BNA's business, representing 34% of the total activity in 1995.

Within the NHS hospital market there are now several hundred Individual Trusts, each with local decision-making powers. This has resulted in Trust hospital managers actively pursuing cost-effective, flexible staffing policies.

At the same time, there are increasing shortages of skilled hospital staff across the UK.

In response to these market conditions we have developed the capability and expertise to assist NHS Trust hospitals with their staffing needs, including:

- a comprehensive branch network from which we can provide national coverage. This network has been carefully built up over a number of years. It is staffed by experienced,

competent, trained staff and backed by experienced management and the required support systems;

- a reputation, as market leader, for quality and the proven ability to deliver significant numbers of trained nurses and carers at short notice;
- the ability to assemble experienced teams of people to implement effectively contracts of any size;
- the establishment of special arrangements in Australia and Holland – known as Aussie Express and Dutch Express respectively – to facilitate the temporary import of skilled nurses to work in the UK;
- the development of a new shift planning, scheduling and time and attendance system – currently under field trial – which sets new standards in temporary labour management information, efficiency and security. It also removes the need for timesheets and the time-consuming administration that they entail.

Homecare

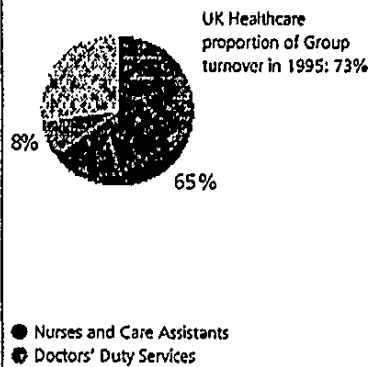
Homecare represented 42% of BNA's activity in 1995, split evenly between work for Local Authorities – helping them to implement their responsibilities under The Community Care Act – and helping people in their own homes, the cost of which is met from their own resources.

After a period of strong growth in 1993 and 1994, the demand from Local Authorities was fairly flat in 1995. However, there is a growing tendency on the part of Authorities to seek to formalise their contractual arrangements and since the year end, we have signed three-year agreements with Oxfordshire County Council and Hertfordshire County Council to provide

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NMDS' main activity is to visit patients at home during the night and at weekends on behalf of client General Practitioners.

Business Review UK Healthcare



care staff to assist people who need care at home. Whilst already a significant market, domiciliary care, as this is commonly known, still remains a relatively small proportion of the total spend on social care. We are confident that spending on domiciliary care will increase as the number of people needing long-term care rises and, for many of them, being looked after or helped in their own homes will be the most appropriate and economic answer, as well as their own preference.

For this market, we have recently developed a number of care packages under the name "Homechoice". These are comprehensive care arrangements which address the differing needs of elderly, frail or disabled people and can result in considerable cost savings compared with residential and nursing home care.

Other markets

Other markets served by BNA include occupational health, legal assessments, permanent recruitment and the supply of supplemental staff to nursing homes.

Quality

Quality of care is particularly important as we are frequently providing nursing and social care to those who are vulnerable due to old age or infirmity. Many nursing and care assignments are for only a few hours and the nurse or carer has often to be provided at very short notice. We apply the same quality standards to these assignments as we do to assignments for which we are given longer notice. All BNA nurses or carers are interviewed thoroughly

and their references checked before they are sent out on assignment, even for half an hour.

Training is another important element of quality. In addition to regular staff training, we are developing and providing increasing numbers of carer training courses in many parts of the country to ensure that the quality of service provided remains at a high level.

Nestor Medical Duty Services

NMDS' main activity is to visit patients in their homes during the night and at weekends on behalf of client General Practitioners. These visits are carried out by NMDS' duty doctors, all of whom are qualified with experience of general practice.

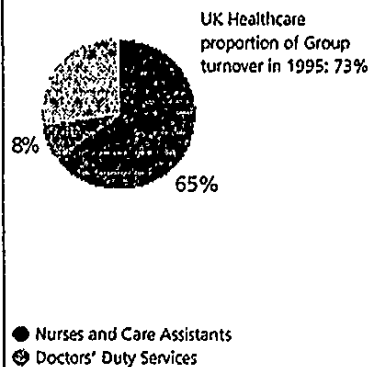
Although GPs have a 24 hour responsibility for their patients, they may delegate duties to others and this is usually done by partnership arrangements, local ad hoc agreements or by employing a medical duty service such as NMDS.

As the demands on GPs rise they have an increasing desire to delegate part of their 24 hour responsibility for their patients. This allows them to enjoy off-duty periods, have a good night's sleep and enables them to attend to their patients' needs more efficiently during the day. Medical duty services have been employed by the majority of GPs in large conurbations in the UK for over 30 years and these services have become an accepted, integral part of the primary care system, particularly in inner city areas.

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BNA, the market leader, has a strong reputation for quality and the ability to provide nurses and carers at short notice. The provision of supplemental staffing to NHS Trust hospitals represented 34% of BNA's total activity in 1995.

Business Review UK Healthcare



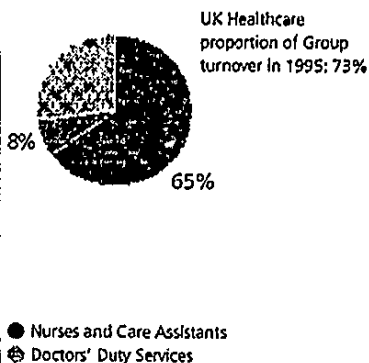
Clinical reports of every visit made are delivered to the client GPs to keep them fully informed and to ensure continuity of care.

NMDS provides medical duty services for 2,300 GPs, mainly from centres in Liverpool, Birmingham, St Helens, Stoke and Manchester. In addition, NMDS provides post-graduate education courses for GPs.

With effect from 1st January 1996 new arrangements in respect of out-of-hours pay for GPs were put in place. The arrangements are that each GP will receive, as compensation for out-of-hours work, £2,000 per year plus £20 for each face-to-face consultation which takes place between 10.00pm and 8.00am. In addition, for 1995/96 the Government has made available a fund of £45 million to assist them in developing out-of-hours arrangements.

Whilst demand for out-of-hours services is expected to grow, the Government fund will encourage an increase in co-operative deputising services, organised by GPs themselves. However, NMDS continues to have the support of the vast majority of its GP clients with whom we continue to work closely. We are also working with GPs on the development and operation of new primary care centres in Liverpool and Birmingham. A primary care centre in this context is a location where patients who require medical care in the evenings and at weekends may attend as an alternative to having a home visit by a GP.

Business Review UK Healthcare



BNA branches and NMDS medical duty centres in the United Kingdom



● BNA branches

London branches
Bromley
Camberwell
Camden and Islington
Croydon
Ealing
Earls Court
Hampstead
Hendon
Kenton
Kingston-upon-Thames
Leytonstone
Marble Arch
Richmond
Wimbledon

Regional branches

England
Ashford
Barnsley
Basingstoke
Bath
Beccles
Bedford
Beshill-on-sea
Billerica
Birmingham
Birmingham Heartlands
Bognor Regis
Bournemouth
Bradford
Brighton
Bristol
Burnley
Bury St Edmunds
Camberley
Cambridge
Canterbury
Chatham
Chelmsford
Cheltenham
Chichester
Colchester
Coventry
Dartford
Doncaster
Dorchester
Eastbourne
Epsom
Essex Rivers
Exeter
Folkestone
Grantham
Grimsby
Guildford
Harlow
Harrogate
Hastings
Haywards Heath
Hereford
High Wycombe
Hull
Huntingdon
Ipswich
Isle of Wight
Kendal
Kings Lynn
Leamington Spa
Leeds
Leicester
Leyland
Luton & Dunstable
Liverpool
Malden
Manchester
Middlesbrough

Newbury
Newcastle
Newmarket
Northallerton
Northampton
Norwich
Nottingham
Oxford
Peterborough
Plymouth
Portsmouth
Reading
Romford
Rotherham
St Albans
Salisbury
Scarborough
Sheffield
Solihull
Southampton
Southend-on-sea
Stevenage
Stoke-on-Trent
Stourbridge
Sutton Coldfield
Thanet
Torquay
Truro
Tunbridge Wells
Watford
Winchester
Wolverhampton
Worcester
Worthing
York

Scotland
Aberdeen
Ayrshire
Borders
Edinburgh
Edinburgh Sick Children
NHS Trust
Forth Valley
Glasgow
Highlands
Perth
Royal Infirmary of
Edinburgh NHS Trust

Wales
Abergavenny
Cardiff

Northern Ireland
Belfast
Coleraine

Paramedics,
Occupational therapists
and Physiotherapists
Remedy Medical (Ealing)

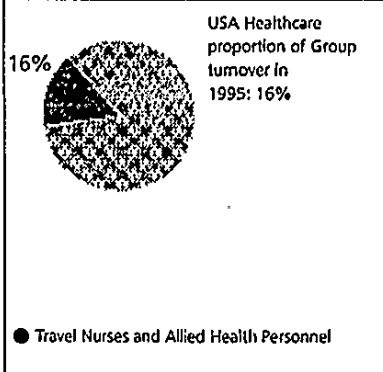
Doctors
Remedy Medical (Ealing)

International Division
Oxford Street, London

○ NMDS medical duty centres

Accrington
Birmingham
Cannock
Liverpool
Manchester
St Helens
Stoke
Wirral (Birkenhead)

Business Review USA Healthcare



MRA

Medical Recruiters of America (MRA) is a specialist healthcare agency which is one of the leading suppliers of travel nurses and other health personnel in the United States of America. These professionals, as their name implies, move between assignments in different parts of the country, each assignment normally lasting three months.

MRA's main business is the supply of healthcare personnel to hospitals. Over the last few years hospitals have faced reduced occupancy levels and additional price pressure as a result of collective purchasing by managed care organisations. Whilst the conditions in

which MRA's clients operated during 1995 continued to be difficult, travel healthcare staffing as an option remains attractive to potential client hospitals and to the healthcare professionals themselves.

The nursing side of the business has a marked seasonality. Hospitals in some locations, for example, Florida and Arizona, have different staffing requirements in the winter months when large numbers of retired people leave their homes in the colder North to migrate to warmer climes. The market for medical/surgical nurses is smaller than it was five years ago but the demand, particularly for specialist

nurses, is now growing and with an increasing shortage of specialist nurses, seasonality is becoming less marked. The demand for allied health personnel, such as occupational and physical therapists, also continues to exceed supply.

Towards the end of 1995 MRA launched a new initiative to secure permanent positions for healthcare professionals. The initial impetus to develop this business is with existing clients and we already have contracts to provide nurse practitioners, physician assistants, physical therapists, practice managers and mid-level hospital management.

Business Review UK Specialist Personnel



Hewitson-Walker

Hewitson-Walker specialises in the provision of temporary qualified and part-qualified accountants to a wide range of clients in the Greater London area. The main sectors addressed are financial services, communications, professional, public sector and medical.

As a specialist, we are able to provide a high quality service, closely

matching the needs of our clients with the experience and capabilities of our accountants.

Scott-Grant

Scott-Grant has four principal activities: temporary management services personnel, with a particular focus on productivity improvement, the supply of temporary technical

personnel, computer software services and training. The computer services and training are both linked with employee control and productivity improvement.

Scott-Grant is based in Manchester and has five regional offices from which it serves the varied needs of a wide range of industrial, commercial and public sector clients.

Board of Directors and Advisors

Executive directors

Michael Rogers, 53, is Chief Executive. He joined BNA in March 1976 and became Managing Director in October of that year. He became Group Managing Director in May 1978 and joined the Board of Nestor-BNA when it was formed in March 1986. He is a member of the Executive Committee of the Federation of Recruitment and Employment Services.

Clive Chapman, 47, is Group Finance Director. He joined Nestor-BNA in September 1990. Before joining the Group he was Group Finance Director of ITL Information Technology plc and, prior to that, Group Financial Controller of the P&O Group.

John Cockburn, 54, is Managing Director of Nestor Medical Duty Services. He was appointed Medical Director of Liverpool Locums in 1973 and joined the Board of Nestor-BNA in March 1986. He is Vice-Chairman of the Federation of Medical Services.

Non-executive directors

David Heywood, 60, is Chairman. He was appointed in September 1994. He is Chairman of QS Holdings PLC, a non-executive director of Rentokil Group Plc and Chairman of Remploy Ltd. Formerly he was deputy Chairman and executive director of British-American Tobacco Co. Ltd.

Charles Goodson-Wickes, 50, MP for Wimbledon, joined the Board in February 1993. He is an occupational physician and a barrister. He is Parliamentary Private Secretary to the Secretary of State for Transport and is a member of a wide range of Parliamentary Committees. He holds a number of appointments in industry and commerce.

Francis Howard, 60, joined the Board in June 1987. He is a director of Howard Perry Associates Limited, business and financial consultants. He was previously Finance Director of Charter Consolidated PLC and is a non-executive director of Consolidated Communications Management Limited and other companies.

Secretary
John Wood

Registered office
20A Church Road
Welwyn Garden City
Hertfordshire AL8 6PS

Financial advisors

Hambros Bank Limited
41 Tower Hill
London EC3 4HA

Stockbrokers

SBC Warburg Limited
1 Finsbury Avenue
London EC2M 2PA

Auditors

Coopers & Lybrand
Chartered Accountants
1 Embankment Place
London WC2N 6NN

Solicitors

Freshfields
Whitefriars
65 Fleet Street
London EC4Y 1HS

USA attorneys

Dechert Price & Rhoads
477 Madison Avenue
New York NY 10022

Principal bankers

National Westminster Bank Plc
24 Albemarle Street
London W1X 4JS

Registrar and transfer office

The Royal Bank of Scotland plc
Securities Services - Registrars
PO Box No 82
Caxton House
Redcliffe Way
Bristol BS99 7NH

Directors' and Auditors' Reports and Financial Statements

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Directors' Report

The directors present their report and the audited financial statements for the year ended 31st December 1995.

Principal activities, results and future developments

Nestor-BNA plc is the holding company of a group of companies in the healthcare and specialist personnel sectors. The principal activities of the Group are

- the provision of nurses and carers through the largest nursing agency network in the United Kingdom,
- the provision of doctors' duty services in the North West of England and the West Midlands,
- the provision of travel healthcare personnel throughout the United States of America,
- the provision, on a temporary basis, of qualified and part-qualified accountants primarily in the Greater London area,
- the provision, on a temporary contract basis, of specialist supervisory, technical and computer personnel throughout the United Kingdom.

The accompanying Chairman's Statement, Operating and Financial Review and Business Review report on the Group's activities, trading results and future developments.

Results and dividends

The profit for the year after taxation was £4,338,000. An interim dividend of 1.15p per Ordinary Share was paid on 27th October 1995. The directors now recommend a final dividend of 2.00p per Ordinary Share. Following payment of all dividends for the year, totalling £2,362,000, an amount of £1,976,000 will have been transferred to reserves.

Fixed assets

Information relating to the changes in fixed assets is given in Notes 13 and 15 to the financial statements.

Directors

The directors who served during the year were D G Heywood*, M G Rogers, C R Chapman, J J Cockburn, F J A Howard*, A J T Pilgrim and C Goodson-Wickes*.

A J T Pilgrim resigned from the Board on 5th June 1995.

In accordance with the Articles of Association, C Goodson-Wickes and C R Chapman will retire by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election.

The appointment of C Goodson-Wickes is for a fixed period of three years expiring on 31st December 1997, renewable thereafter annually for a further one year upon agreement between him and the Board. C R Chapman has a service agreement with the Company which is subject to no more than two years notice of termination.

*non-executive directors

Directors' interests

All directors' interests, including details of shareholdings, are set out in the Report of the Compensation Committee on pages 20 to 22.

Substantial shareholders

At the date of this report, the Company has been notified of the following interests of 3% or more in the ordinary share capital.

	Number	Percentage of issued share capital
Prudential Corporation Group, including clients' managed funds	8,270,548	11.0%
Standard Life	5,236,386	7.0%
Baring Global Fund Managers Ltd	4,344,175	5.8%
3i Group plc	3,618,789	4.8%
Barclays Bank PLC	3,496,505	4.7%

Directors' Report

Share capital

Details of the authorised and issued share capital of the Company during the year ended 31st December 1995 are given in Note 22 to the financial statements.

A Special Resolution will be proposed at the Annual General Meeting on 16th May 1996, seeking authority for the directors to issue shares of the Company for cash, without complying with the statutory pre-emption procedures, within certain constraints as set out in the Notice of Annual General Meeting. This is similar to the corresponding resolutions passed in previous years. The proposed authority limit represents approximately 5% of the Company's issued share capital. If approved by the Meeting, this power will continue until the next Annual General Meeting of the Company.

Subject to the approval of shareholders, the Company is empowered by its Articles of Association to purchase its own shares. In common with many other companies the directors are seeking this approval and request shareholders' authority to purchase up to 7,500,000 ordinary shares, representing approximately 10 per cent of the current issued share capital. A Special Resolution to this effect is set out in the Notice of Annual General Meeting. The price at which any shares may be purchased will be not less than 10 pence each and not more than 5 per cent above the average of the market values of the Company's ordinary shares for the 10 business days before the purchase is made. Shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly. The authority will expire at the conclusion of the next Annual General Meeting and the directors intend to propose its renewal at each future Annual General Meeting. This power would be used only after careful consideration, having taken into account market conditions prevailing at that time, the investment needs of the Company and its overall financial position. The directors have no present intention of exercising the authority and purchases would only be made if the directors considered it to be in the best interest of the shareholders and if the purchase could be expected to result in an increase in earnings per share.

Share schemes

Information regarding share options issued and exercisable under the Nestor-BNA Employee Share Option Scheme and the Nestor-BNA Savings Related Share Option Scheme, is given in Note 27 to the financial statements. Information relating to the share options issued to and exercisable by the directors is stated in the Report of the Compensation Committee set out on pages 20 to 22.

During the year no shares were allocated to employees under the Nestor-BNA Profit Sharing Scheme.

Charitable and political donations

During the year the Group made contributions to United Kingdom charitable organisations of £1,000. No political donations were made.

Taxation status

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Disabled employees

It is the Group's policy that disabled persons should be considered for employment, training, career development and promotion on the basis of their abilities and aptitudes, in common with all employees.

Employee involvement

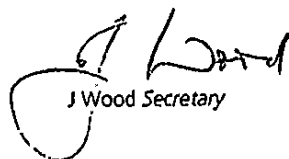
Various methods are used by the Group to ensure that all its employees are provided with information concerning them as employees, particularly the economic and financial factors affecting the Group's performance.

Internal circulars and newsletters are issued regularly and regular consultation and discussions between management and their staff are strongly encouraged.

Auditors

A resolution proposing the re-appointment of Coopers & Lybrand, Chartered Accountants, as auditors to the Company and authorising the directors to determine their remuneration will be put to the Annual General Meeting.

Approved by the Board on 25th March 1996 and signed on its behalf by



J Wood Secretary

Report of the Compensation Committee for the year ended 31st December 1995

1. Composition of the Compensation Committee

The Compensation Committee ("the Committee") is chaired by the non-executive Chairman, David Heywood, and meets at least annually and at other times as necessary. The Committee comprises the non-executive directors.

2. Compliance

The constitution and operation of the Committee is in compliance with the principles of the best practice provisions which are set out in Section A of the annex to the Listing Rules of the London Stock Exchange derived from the Code of Best Practice issued by the Study Group on Directors' Remuneration ("the Greenbury Committee"). The Committee confirms that full consideration has been given to the best practice provisions set out in Section B of the annex to the Listing Rules in determining the remuneration packages for directors. The Auditors' Report on the financial statements set out on page 25 confirms that the scope of the report covers the disclosures contained in this report that are specified for audit by the London Stock Exchange.

3. Policy on remuneration of executive directors

The Committee aims to ensure that remuneration packages offered are competitive and designed to attract, retain and motivate executive directors of the right calibre. The main components of remuneration are:

(i) Basic salary

Basic salary for each director is determined by the Committee taking into account the performance of the individual and with reference to external professional advice on the rates of salary for similar jobs in comparable companies.

(ii) Annual bonus

The targets for annual bonus are set by the Committee balancing the short term and the longer term. Superior performance is encouraged by providing challenging performance goals which must be achieved before the bonus is payable. The bonus scheme includes individual objectives and targets linked to the Group's performance in profit before tax and earnings per share.

(iii) Share options

The Company believes that share ownership by executive directors strengthens the link between their personal interests and those of shareholders.

Employee Share Option Scheme

The Committee is responsible for approving grants of options and for determining whether the performance criteria, which have to be satisfied as a pre-condition to the exercise of options, have been met. It is policy under the Scheme to grant options at the market value of the Company's ordinary shares at the time of grant.

The exercise of the options held under the Employee Share Option Scheme is conditional on the following performance criteria:

Section A options – growth in the Company's earnings per share (EPS) over any four consecutive accounting periods of the Company, commencing no earlier than the accounting period ending immediately prior to the date of grant and ending no later than the accounting period ending immediately prior to the date of exercise, exceeding the percentage increase in the Retail Prices Index for the period commencing with the last month of the first accounting period used to determine the Company's EPS and ending with the last month of the fourth of the accounting periods used for that purpose; and

Section B options – the Company's EPS over any six consecutive accounting periods of the Company, commencing and ending within the same limits as apply in determining the Company's EPS for the purpose of Section A options, placing the Company in the top quartile of FT-SE 100 companies by reference to percentage growth in EPS over the same period.

Savings Related Share Option Scheme

The Company operates a savings related share option ("SAYE") scheme which provides a long term savings and investment opportunity for employees. The Scheme is open to all UK employees who have been with the Group for at least one year and are able to contract to pay monthly savings. Executive directors participate on equal terms with other employees. The options may be exercised normally after five years at a price which is fixed at a discount of up to 20% from the mid-market price on the business day before the Date of Invitation applying to each option.

Report of the Compensation Committee

for the year ended 31st December 1995

4. Company policy on contracts of service

Effective 1st January 1996, the executive directors agreed, with no compensation, to reduce the notice period for termination of their service contracts from three years to two. There are plans to make a further reduction to one year (with retention of a two year period in the event of a change of control of the Company) to take effect in 1997.

Non-executive directors hold letters of appointment for fixed periods of three years, renewable thereafter for a further one year at a time (three years in the case of the Chairman) upon agreement between the director and the Board.

5. Company pensions policy regarding executive directors

The executive directors are members of the Company's retirement benefits scheme. The Scheme is a funded, Inland Revenue approved, final salary, occupational pension scheme. Executive directors are entitled to a pension based on final salary (excluding bonuses) and length of pensionable service, subject to Inland Revenue limits. C R Chapman is entitled to additional death-in-service benefits in a separate unapproved scheme.

6. Directors' emoluments

	Basic salary and fees 1995 £000	Taxable benefits 1995 £000	Performance related bonuses 1995 £000	Total emoluments excluding pensions		Pensions 1995 £000	Pensions 1994 £000
	1995 £000	1995 £000	1995 £000	1995 £000	1994 £000	1995 £000	1994 £000
Executive							
M G Rogers	143	13	50	206	158	13	9
C R Chapman	103	11	41	155	131	9	8
J J Cockburn	82	9	24	115	95	7	6
A J T Pilgrim**	52	13	10	75	122	6	7
J Priestley***	-	-	-	-	43	-	3
Non-executive							
D G Heywood*	41	-	-	41	12	-	-
C Goodson-Wickes	15	-	-	15	15	-	-
F J A Howard	18	-	-	18	22	-	-
Viscount Bridgeman***	-	-	-	-	11	-	-
C J N Ward***	-	-	-	-	10	-	-
Total 1995	454	46	125	625		35	
Total 1994	537	54	28		619		33

* Chairman with effect from 12th September 1994 (M G Rogers was Chairman to 12th September 1994)

** resigned in 1995

*** resigned in 1994

The figures above represent emoluments earned as directors during the relevant financial year. Such emoluments are paid in the same financial year with the exception of bonuses, which are paid in the year following that in which they are earned.

Until detailed guidance is available from the Institute and Faculty of Actuaries under the Code, the figures for pensions shown above are the contributions paid by the Company.

Report of the Compensation Committee for the year ended 31st December 1995

7. Directors' interests

The beneficial and family interests of directors in the share capital of the Company according to the register of directors' interests maintained by the Company under Section 325, Companies Act 1985 were:

	Ordinary Shares		Employee Scheme		Share Options		SAYE Scheme	
	31.12.95	31.12.94	31.12.95	31.12.94	31.12.95	31.12.94	31.12.95	31.12.94
D G Heywood	260,000	100,000	-	-	-	-	-	-
M G Rogers	646,601	706,601	466,094	466,094	-	-	-	-
C R Chapman	-	-	330,000	330,000	20,089	20,089	-	-
J J Cockburn	10,141	20,141	276,312	276,312	-	-	-	-
C Goodson-Wickes	-	-	-	-	-	-	-	-
F J A Howard	12,251	12,251	-	-	-	-	-	-

Notes:

1. The above shareholdings include ordinary shares held on behalf of the directors by trustees under the Nestor-BNA Profit Sharing Scheme.
2. Between 31st December 1995 and the date of this report there were no changes in the interests of the directors in the share capital of the Company.
3. None of the directors has any non-beneficial interest in the Company's share capital.
4. No director was materially interested in any contract of significance (apart from contracts of service) with any Group company during or at the end of the financial year.
5. The Company has maintained insurance for directors and officers against liabilities in relation to the Company during the year.


Options granted to and not yet exercised by directors at 31st December 1995 were:

		Employee Share Option Scheme							Savings Related Share Option Scheme
		Dec 87	Apr 89	Aug 89	Oct 90	Oct 91	May 93	Oct 91	
Date of grant		Dec 87	Apr 89	Aug 89	Oct 90	Oct 91	May 93	Oct 91	
First possible exercise date	A	Dec 90	Apr 92	Aug 92	Oct 93	Oct 94	May 96	Nov 96	
	B	Dec 92	Apr 94		Oct 95	Oct 96	May 98		
Last exercise date		Dec 97	Apr 99	Aug 99	Oct 00	Oct 01	May 03	May 97	
Option price		72p	145p	119p	86p	67p	53p	Total	56p
M G Rogers	A	39,441	10,379	31,137	30,000	30,000	70,000	210,957	-
	B	20,758	10,379	-	34,000	-	190,000	255,137	-
C R Chapman	A	-	-	-	80,000	20,000	50,000	150,000	20,089
	B	-	-	-	40,000	-	140,000	180,000	-
J J Cockburn	A	24,910	6,227	17,644	11,500	16,250	50,000	126,531	-
	B	14,531	-	-	15,250	-	120,000	149,781	-

Notes:

1. No share options were granted, exercised or lapsed unexercised during the year in relation to the directors.
2. Since 16th May 1990 there has been no cost for receipt of the Employee Share Option Scheme options. Deductions from earnings are made in respect of the SAYE Scheme.
3. Employee Share Option Scheme option prices are fixed at the mid-market price on the business day preceding the Date of Grant.
4. SAYE Scheme option prices are fixed at a discount of up to 20% below the mid-market price on the business day before the Date of Invitation applying to each option.
5. The mid-market price at the end of the year was 79 pence and the range during the year was 41 pence to 79 pence.

On behalf of the Board


David Heywood Chairman, Compensation Committee
25th March 1996

Corporate Governance

The Board

The Board currently comprises three executive directors and three non-executive directors, and is responsible to shareholders for the proper management of the Group. It meets regularly throughout the year, normally on a monthly basis, setting and monitoring Group strategy, reviewing trading performance, advising on senior management appointments, formulating policy on key issues and reporting to shareholders.

The Board has appointed Audit and Compensation Committees, both with formal constitutions.

Audit Committee

The Audit Committee is chaired by Francis Howard, comprises the non-executive directors and meets at least twice a year.

The principal duties of the Committee are

- to recommend the appointment, scope and fees of the external auditors;
- to ensure that appropriate accounting policies and controls are in place and applied consistently;
- to ensure that financial statements are prepared in accordance with accounting standards and Stock Exchange and legal requirements; and
- to provide a forum through which the Group's external auditors report to the Board.

Compensation Committee

The Compensation Committee is chaired by the non-executive Chairman, David Heywood, comprises the non-executive directors and meets at least annually and at other times as necessary. The principal duties are of the Committee are

- to assess the responsibilities and performance of executive directors and certain other key executives and, with reference to professional external advice, determine their annual remuneration, bonuses and longer term incentives, including share options;
- to decide the granting of share options to executive directors and other employees, and to administer the share option and profit sharing schemes in accordance with the rules.

The Report of the Compensation Committee is given on pages 20 to 22.

Going concern

The directors confirm that, after reviewing the financial position and cash flows of the Group, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Internal financial control

The directors are responsible for the Group's system of internal financial control. Such a system can provide reasonable but not absolute assurance against material mis-statement or loss.

The key procedures which are designed to provide effective internal financial control are as follows:

- operating divisions maintain internal financial controls appropriate to their respective businesses. These conform to all Group policies as set out in the Group Accounting Policies and Procedures Manual. This sets out the accounting policies of the Group and the framework of internal financial control. Within the Manual, the duties of the Audit Committee, Group finance staff and divisional management are clearly set out with respect to internal financial control;
- divisional management are required annually to review the effectiveness of their systems of internal financial control and to complete an internal financial control questionnaire. At the year end they are required to confirm that they have reviewed for the whole year their system of internal financial control. Group finance staff review the completed questionnaires and make visits to operating sites where the internal financial controls are further reviewed. The results of this process are reported to the Audit Committee;
- major business risks are identified to the Board in respect of each business area and monitored through monthly reports from divisional and group management which set out all major business issues. The Group operates a comprehensive budgeting and forecasting system where monthly results are reviewed and major variances investigated;
- as part of their normal annual audit procedures, Coopers & Lybrand review internal financial controls to the extent necessary to enable them to form an opinion on whether the accounts show a true and fair view. Within this scope of work they review the completed internal financial control questionnaires for accuracy and completeness. The results of this process are reported annually to the Audit Committee.

The directors confirm that, for the year ended 31st December 1995, they have reviewed the effectiveness of their systems of internal financial control.

Compliance with the Code of Best Practice

The Group complies with all of the provisions of the Code of Best Practice, as contained in the Report of the Cadbury Committee on the Financial Aspects of Corporate Governance. The report by the auditors on corporate governance matters is given on page 24.

Auditors' Report on Corporate Governance Matters

Report by the auditors to Nestor-BNA plc

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 23 on the Group's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange.

The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

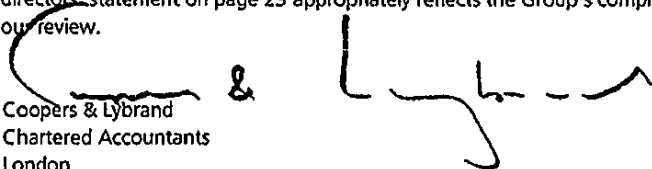
Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and on going concern on page 23, in our opinion the directors have provided the disclosures required by paragraph 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on page 23 appropriately reflects the Group's compliance with the other paragraphs of the Code specified for our review.



Coopers & Lybrand
Chartered Accountants
London

25th March 1996

Directors' Responsibilities

in respect of the preparation of financial statements

The directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit and cash flows of the Group for the period to that date. The financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and in accordance with applicable accounting standards. In addition, the directors are required

- to adopt suitable accounting policies and then apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to take account of expenses and income relating to the period being reported on, whether or not they have been paid or received in that period; and
- to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the financial statements comply with the above requirements.

The directors are also responsible for maintaining adequate accounting records so as to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985, for safeguarding the assets of the Group, and for preventing and detecting fraud and other irregularities.

Auditors' Report

Report of the auditors to the members of Nestor-BNA plc

We have audited the financial statements on pages 26 to 43.

Responsibilities of directors and auditors

As described above, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

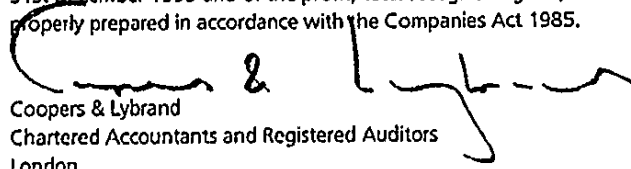
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st December 1995 and of the profit, total recognised gains, and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

25th March 1996

Consolidated Profit and Loss Account

for the year ended 31st December 1995

	Notes	1995 £000	1994 £000
Turnover			
Continuing operations		129,116	112,115
Discontinued operation		—	5,620
	2,3	129,116	117,735
Cost of sales		(102,304)	(94,286)
Gross profit		26,812	23,449
Administrative expenses		(20,140)	(18,324)
Operating profit		6,672	4,698
Continuing operations		—	427
Discontinued operation		—	—
Operating profit before exceptional items	3,4,5,6	6,672	5,125
Exceptional items			
Profit on disposal of fixed assets	7	—	286
Loss on sale of discontinued operation	7	—	(4,495)
Profit on ordinary activities before interest		6,672	916
Interest payable less receivable	8	(360)	(997)
Profit (loss) on ordinary activities before taxation		6,312	(81)
Taxation	9	(1,974)	(1,459)
Profit (loss) on ordinary activities after taxation		4,338	(1,540)
Dividends	11	(2,362)	(2,357)
Retained for the year	23	1,976	(3,897)
Earnings (loss) per share			
FRS3 basis	12	5.79p	(2.06p)
Adjustment for exceptional items			
Sale of discontinued operation		—	6.01p
		5.79p	3.95p
Disposal of fixed assets		—	(0.38p)
Before exceptional items	12	5.79p	3.57p
Dividends per share	11	3.15p	3.15p

Note of Historical Cost Profits and Losses

for the year ended 31st December 1995

	1995 £000	1994 £000
Reported profit (loss) on ordinary activities before taxation	6,312	(81)
Realisation of revaluation surpluses of previous years on assets sold in the year	—	6,799
Historical cost profit on ordinary activities before taxation	6,312	6,718
Historical cost profit retained for the year after taxation and dividends	1,976	2,902

Statement of Total Recognised Gains and Losses

for the year ended 31st December 1995

	Notes	1995 £000	1994 £000
Profit (loss) for the financial year		4,338	(1,540)
Currency translation differences on foreign currency net investments	23	(6)	184
Total recognised gains and losses relating to the year		4,332	(1,356)

Reconciliation of Movements in Shareholders' Funds

for the year ended 31st December 1995

	Notes	1995 £000	1994 £000
Profit (loss) for the financial year		4,338	(1,540)
Dividends	11	(2,362)	(2,357)
Other recognised gains and losses for the year		(6)	184
Shares issued during the year		124	—
Goodwill previously written off now included in loss for the financial year	7	—	613
		2,094	(3,100)
Opening shareholders' funds		2,556	5,656
Closing shareholders' funds		4,650	2,556

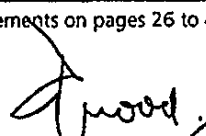
Consolidated Balance Sheet

as at 31st December 1995

	Notes	1995 £000	1994 £000
Fixed assets			
Tangible fixed assets	13	1,916	2,007
Investments	15	969	856
Total fixed assets		2,885	2,863
Current assets			
Stocks	16	45	62
Debtors	17	16,235	15,032
Cash at bank and in hand		591	459
		16,871	15,553
Creditors – amounts falling due within one year	18	(12,834)	(11,370)
Net current assets		4,037	4,183
Total assets less current liabilities		6,922	7,046
Creditors – amounts falling due after more than one year	19	(2,189)	(4,345)
Provisions for liabilities and charges			
Deferred taxation	21	(83)	(145)
Net assets		4,650	2,556
Capital and reserves			
Called up share capital	22	7,507	7,484
Share premium account	23	1,306	1,205
Acquisition reserve	23	(14,106)	(14,106)
Foreign exchange reserve	23	646	652
Profit and loss account	23	9,297	7,321
Equity shareholders' funds		4,650	2,556

The financial statements on pages 26 to 43 were approved by the Board on 25th March 1996 and were signed on its behalf by

D G Heywood



C R Chapman



Notes to the Financial Statements

for the year ended 31st December 1995

Note 1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of land and buildings. Accounts are made up to the nearest practicable Friday to 31st December each year.

Basis of consolidation

The Group financial statements comprise a consolidation of the financial statements of the Company and all its subsidiary undertakings. Where a subsidiary undertaking has been disposed of during the year, the results of that subsidiary undertaking are included to the date of the disposal. Merger accounting rules are followed in respect of mergers which satisfy the conditions set out in Financial Reporting Standard 6.

Depreciation

Depreciation of fixed assets is provided where it is necessary to reflect a reduction from book value to estimated residual value over the useful life of the asset to the Group. It is the Group's policy to maintain its properties in a state of good repair, and in the case of freehold and long leasehold properties, the directors consider that the lives of these properties and their residual values are such that their depreciation is not significant. Accordingly, no depreciation is provided on freehold and long leasehold properties. Other fixed assets are written off by equal instalments over their anticipated useful lives of between three and eight years.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided on the liability method where, in the opinion of the directors, it is probable that the liability will crystallise in the foreseeable future.

Goodwill

Goodwill arises when the consideration paid for a business or company exceeds the fair value of the net tangible assets acquired. Any goodwill arising is written off immediately against reserves at the date of acquisition.

Pension costs

Pension costs are charged to the profit and loss account in such a way as to provide for the liabilities evenly over the remaining working lives of the employees.

Leases

Where fixed assets are financed by leasing agreements which give rights approximately equivalent to ownership (finance leases) the assets are capitalised. The corresponding lease commitments are treated as obligations to the lessor. All other lease payments are charged to the profit and loss account in the year to which they relate, including the cost of leases of land and buildings not occupied by the Group.

Foreign currencies

The trading results and cash flows of overseas subsidiary undertakings are translated into sterling using the average rates of exchange. The balance sheets of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the year end. Exchange differences arising on translation into sterling are dealt with through reserves. Where the Company takes out foreign currency loans to hedge its investments in overseas subsidiary undertakings, both the loan and that part of the investment matched to the loan are translated into sterling at the year end rate. The remaining element of the investment is translated at the rate ruling at the date of the investment except in those instances where forward exchange contracts have been arranged, in which case, the forward rate is used.

Notes to the Financial Statements

for the year ended 31st December 1995

Note 2 Turnover

Turnover represents the amount invoiced net of value added tax in respect of the provision of services to customers during the year.

Note 3 Analysis of turnover, operating profit and net assets	Turnover		Operating profit	
	1995 £000	1994 £000	1995 £000	1994 £000
Turnover and operating profit by geographical location				
United Kingdom	108,356	95,082	7,360	5,925
United States of America	20,760	22,653	1,128	486
Central costs	-	-	(1,816)	(1,286)
	129,116	117,735	6,672	5,125
Turnover and operating profit by business activity				
UK Healthcare	93,937	76,871	6,200	4,380
USA Healthcare	20,760	22,653	1,128	486
UK Specialist Personnel	14,419	12,591	1,160	1,118
Central costs	-	-	(1,816)	(1,286)
Continuing operations	129,116	112,115	6,672	4,698
Discontinued operation Hospitals and nursing homes	-	5,620	-	427
	129,116	117,735	6,672	5,125

There is no material difference between the geographical analysis of turnover by origin and by destination.

Turnover, cost of sales, gross profit, administrative expenses and operating profit are analysed between continuing and discontinued operations as follows

	1995 £000	Continuing 1994 £000	Discontinued 1994 £000
Turnover	129,116	112,115	5,620
Cost of sales	(102,304)	(89,429)	(4,857)
Gross profit	26,812	22,686	763
Administrative expenses	(20,140)	(17,988)	(336)
Operating profit	6,672	4,698	427

There were no discontinued activities in 1995.

Notes to the Financial Statements

for the year ended 31st December 1995

Note 3 Analysis of turnover, operating profit and net assets – continued	Net operating assets	
	1995 £000	1994 £000
Net operating assets		
Capital employed per consolidated balance sheet	4,650	2,556
Loans	4,378	6,517
Overdrafts less cash and cash equivalents	361	701
Goodwill written off	56,892	56,892
Total net operating assets, including goodwill	66,281	66,666
Analysis of net operating assets by geographical location		
United Kingdom	36,168	36,325
United States of America	30,113	30,341
	66,281	66,666
Analysis of net operating assets by business activity		
UK Healthcare	20,093	19,653
USA Healthcare	30,113	30,341
UK Specialist Personnel	16,425	16,832
Central	(350)	(160)
	66,281	66,666

Included in UK Specialist Personnel is Scott-Grant, the productivity improvement specialists, which was accounted for under merger accounting rules. As a consequence, goodwill arising from a fair value attributable to the consideration given for the acquisition is not included in the amount of net operating assets.

Notes to the Financial Statements

for the year ended 31st December 1995

Note 4 Operating profit

	1995 £000	1994 £000
Operating profit before exceptional items is stated after charging (crediting)		
Depreciation	820	948
Net profit on sale of tangible fixed assets	(6)	(9)
Hire of plant and machinery	7	68
Auditors' remuneration – audit	115	118
Rents received net of outgoings	(154)	(38)
Rent of premises	1,478	1,173

Remuneration of the Company's auditors in respect of other services amounted to £192,000 (1994 – £241,000).

Note 5 Employees

	1995 £000	1994 £000
Employee costs		
Wages and salaries	11,887	13,251
Social security costs	916	1,036
Other pension costs	296	224
	13,099	14,511

	1995 Number	1994 Number
Employee numbers		
The average number of persons employed by the Group during the year was		
Full-time	552	628
Part-time	773	905
	1,325	1,533

Note 6 Directors' emoluments

	1995 £000	1994 £000
Employee costs include the following emoluments in respect of the directors		
Fees	34	58
Basic salaries and benefits	466	533
Bonus payments	125	28
Pension contributions	35	33
	660	652

Full disclosure of directors' emoluments is set out in the Report of the Compensation Committee on pages 20 to 22.

Notes to the Financial Statements

for the year ended 31st December 1995

Note 7 Exceptional Items

	1995 £000	1994 £000
Profit on disposal of fixed assets	-	286
Loss on sale of discontinued operation	-	(4,495)
	-	(4,209)

The profit on disposal of fixed assets in 1994 related to the sale of surplus land and buildings.

The loss on sale of discontinued operation in 1994 relates to the sale of the hospitals and nursing homes division.

The consideration, assets sold and the loss arising on sale were as follows:

	1995 £000	1994 £000
Consideration, including settlement of overdrafts and intra-group indebtedness		
cash received	-	12,625
£1,500,000 loan note of purchaser at valuation	-	800
Total consideration	-	13,425
Book value of assets sold	-	(16,807)
Add back goodwill previously written off	-	(613)
	-	(17,420)
Total consideration less book value of assets sold, including goodwill	-	(3,995)
Costs of sale	-	(500)
Loss on sale of discontinued operation	-	(4,495)

Note 8 Interest payable less receivable

	1995 £000	1994 £000
On bank loans, overdrafts and other loans		
repayable within five years, not by instalments	48	161
repayable within five years, by instalments	525	770
repayable wholly or partly in more than five years	-	175
Investment income - bank interest and other income receivable	(213)	(109)
	360	997

Note 9 Taxation

	1995 £000	1994 £000
Corporation tax at 33% (1994 - 33%) on taxable profit for the year	2,075	1,515
Over-provision in previous years	(39)	(24)
Deferred tax	(62)	(32)
	1,974	1,459

The taxation charge reflects the results of MRA in the USA and the availability of allowable deductions against its profits.

Note 10 Profit for the year

The profit for the year dealt with in the accounts of the Company amounts to £3,040,000 (1994 - £1,483,000), before transferring the gain on foreign exchange of £10,000 (1994 - £636,000 loss) to the foreign exchange reserve (see Note 23). The profit retained by subsidiary companies is £1,308,000 (1994 - £182,000). Under the provisions of Section 230 of the Companies Act 1985, the Company has not published its own profit and loss account.

Notes to the Financial Statements

for the year ended 31st December 1995

Note 11 Dividends

	1995 £000	1994 £000
Dividends paid		
Ordinary shares: 1.15p per share (1994 – 1.15p)	860	860
Dividends proposed		
Ordinary shares: 2.00p per share (1994 – 2.00p)	1,502	1,497
	2,362	2,357

Note 12 Earnings (loss) per share

	1995	1994
FRS3 basis	5.79p	(2.06p)
Adjustment for exceptional items		
Sale of discontinued operation	–	6.01p
	5.79p	3.95p
Disposal of fixed assets	–	(0.38p)
Before exceptional items	5.79p	3.57p

The earnings (loss) per share have been calculated on earnings of £4,338,000 (1994 – £1,540,000 loss FRS3 basis; £2,669,000 earnings before exceptional items) and on the weighted average number of shares of 74,898,000 (1994 – 74,839,000).

No figure for fully diluted earnings per share is shown because the difference from the basic earnings per share is less than 5%.

Note 13 Tangible fixed assets

	Land & buildings Freehold £000	Land & buildings Leasehold £000	Plant & equipment, fixtures & fittings & vehicles £000	Total £000
Group				
Cost				
At 1st January 1995	73	–	5,202	5,275
Foreign exchange movements	–	–	4	4
Reclassifications	–	6	(6)	–
Additions	–	–	783	783
Disposals	–	–	(208)	(208)
At 31st December 1995	73	6	5,775	5,854
Depreciation				
At 1st January 1995	–	–	3,268	3,268
Foreign exchange movements	–	–	4	4
Reclassifications	–	3	(3)	–
Eliminated on disposals	–	–	(154)	(154)
Charge for the year	–	1	819	820
At 31st December 1995	–	4	3,934	3,938
Net book value				
At 31st December 1995	73	2	1,841	1,916
At 31st December 1994	73	–	1,934	2,007

Notes to the Financial Statements

for the year ended 31st December 1995

		Plant & equipment, fixtures & fittings & vehicles £000	Total £000
Note 13 Tangible fixed assets – continued			
Company			
Cost			
At 1st January 1995		235	235
Additions		24	24
Disposals		(45)	(45)
At 31st December 1995		214	214
Depreciation			
At 1st January 1995		93	93
Eliminated on disposals		(26)	(26)
Charge for the year		47	47
At 31st December 1995		114	114
Net book value			
At 31st December 1995		100	100
At 31st December 1994		142	142

Note 14 Capital commitments	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Capital expenditure that has been contracted but not provided for	76	21	–	–

At the year end there was no capital expenditure which had been authorised by the directors but not yet contracted for (1994-nil).

Notes to the Financial Statements

for the year ended 31st December 1995

Note 15 Fixed asset investments

	Group £000	Company £000
At 1st January 1995	856	44,520
Additions		
Nestor-BNA Holdings Corp.- capital contribution of \$10.2 million	-	6,443
Accrued income on loan note from purchaser of hospitals and nursing homes division	113	113
Foreign exchange movements	-	115
At 31st December 1995	969	51,191

On 15th May 1995 and 30th June 1995 respectively, the Company contributed further capital of \$3,400,000 and \$6,800,000 to its wholly-owned subsidiary, Nestor-BNA Holdings Corp. The latter contribution has been hedged by a new loan taken out by the Company on 10th July 1995 in the sum of \$6,800,000 and in accordance with the provisions of SSAP20 this amount has been revalued to the year end rate of exchange in order to match the foreign exchange movements during the year.

Except where stated, the following principal subsidiary companies are wholly-owned, operate in the United Kingdom, and are registered in England and Wales.

Company	Business
British Nursing Co-operations Limited* (trading as BNA)	UK nursing agencies
British Nursing Association Healthcare Services Limited*	
Nestor Medical Duty Services Limited	UK doctors' duty services
MRA Staffing Systems, Inc. (United States of America)*	USA healthcare personnel agencies
Hewitson-Walker Limited	UK specialist personnel
Hewitson-Walker (Freelance Accounting Appointments) Limited*	
Scott-Grant (Management Services) Limited	UK specialist personnel
Scott-Grant (Computer Services) Limited	
Scott-Grant (Technical Services) Limited	
Scott-Grant (Training Services) Limited	

*The interest of Nestor-BNA plc in these companies is held through intermediate holding companies.

Notes to the Financial Statements

for the year ended 31st December 1995

Note 16 Stocks	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Consumables and goods for resale	45	62	-	-

Note 17 Debtors	1995 £000	1994 £000	1995 £000	1994 £000
Trade debtors	15,166	13,949	-	-
Amounts owed by Group companies	-	-	2,855	14,307
Dividends receivable from Group companies	-	-	2,924	2,551
Other debtors	189	206	18	11
Prepayments and accrued income	880	877	46	45
Corporation tax	-	-	815	734
	16,235	15,032	7,658	17,648

Note 18 Creditors - amounts falling due within one year

	1995 £000	1994 £000	1995 £000	1994 £000
Bank overdraft	952	1,160	-	-
Loan other than from banks	2,189	2,172	2,189	-
Trade creditors	1,848	1,717	-	-
Amounts owed to Group companies	-	-	3,679	13,515
Dividends proposed	1,502	1,497	1,502	1,497
Corporation tax	1,795	1,168	215	119
Other tax and social security	1,572	1,211	17	22
Other creditors	1,455	1,200	65	42
Accruals and deferred income	1,521	1,245	547	323
	12,834	11,370	8,214	15,518

Note 19 Creditors - amounts falling due after more than one year

	1995 £000	1994 £000	1995 £000	1994 £000
Loan other than from banks	2,189	4,345	2,189	-

Notes to the Financial Statements

for the year ended 31st December 1995

Note 20 Net borrowings	Repayment dates	Interest rates	Group		Company	
			1995 £000	1994 £000	1995 £000	1994 £000
Unsecured						
Bank overdraft	--	variable	952	1,160	--	--
Loan other than from banks (\$6.8 million, 1994 - \$10.2 million)	1995-1997	10.37%	4,378	6,517	4,378	--
Total borrowings			5,330	7,677	4,378	--
Cash at bank and in hand			(591)	(459)	(5,036)	(5,988)
Net borrowings (cash)			4,739	7,218	(658)	(5,988)

Net borrowings of the Group are summarised as follows			
	Repayable within 1 year £000	Repayable between 2&5 years £000	Total £000
Unsecured			
Bank overdraft	952	--	952
Loan other than from banks (\$6.8 million)	2,189	2,189	4,378
Total borrowings	3,141	2,189	5,330
Less cash at bank and in hand	(591)	--	(591)
At 31st December 1995	2,550	2,189	4,739
At 31st December 1994	2,873	4,345	7,218

The outstanding loan other than from banks of \$6.8 million is from Teachers Insurance and Annuity Association of America. The loan is unsecured and is repayable in two equal annual instalments of \$3.4 million on 15th May 1996 and 15th May 1997.

Note 21 Provision for liabilities and charges	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Deferred taxation provision				
At 1st January 1995	145	177	--	--
Utilised during the year	(62)	(32)	--	--
At 31st December 1995	83	145	--	--
Full potential liability	83	145	--	--

The deferred taxation provision arises from accelerated depreciation allowances.

Note 22 Share capital	Authorised		Allotted, issued and fully paid	
	Number	£000	Number	£000
Ordinary shares of 10p each				
At 1st January 1995	96,000,000	9,600	74,839,358	7,484
Issued during the year following exercise of options			235,000	23
At 31st December 1995	96,000,000	9,600	75,074,358	7,507

Notes to the Financial Statements

for the year ended 31st December 1995

Note 23 Reserves	Share premium account £000	Acqui- sition reserve £000	Foreign exchange reserve £000	Profit & loss account £000	Total £000
Group					
At 1st January 1995	1,205	(14,106)	652	7,321	(4,928)
Foreign exchange movements	-	-	(6)	-	(6)
Issue of shares following exercise of options	101	-	-	-	101
Retained for the year	-	-	-	1,976	1,976
At 31st December 1995	1,306	(14,106)	646	9,297	(2,857)

The total amount of goodwill written off to date against reserves in respect of subsidiaries still held by the Group is £56,892,000 (1994 - £56,892,000).

	Share premium account £000	Other reserves £000	Foreign exchange reserve £000	Profit & loss account £000	Total £000
Company					
At 1st January 1995	1,205	36,442	2,142	5,507	45,296
Profit for the year	-	-	-	3,040	3,040
Foreign exchange movements	-	-	10	(10)	-
Issue of shares following exercise of options	101	-	-	-	101
Dividends	-	-	-	(2,362)	(2,362)
At 31st December 1995	1,306	36,442	2,152	6,175	46,075

Notes to the Financial Statements

for the year ended 31st December 1995

Note 24 Cash flow statement

	1995 £000	1994 £000
Reconciliation of operating profit to net cash inflow from operations		
Operating profit before exceptional items	6,672	5,125
Depreciation charges	820	948
Net profit on sale of tangible fixed assets included in operating profit before exceptional items	(6)	(9)
Decrease (increase) in stocks	17	(22)
Increase in debtors	(1,187)	(949)
Increase (decrease) in creditors	1,064	(488)
Net cash inflow from operations	7,380	4,605

	Share capital £000	Share premium account £000	Total £000
Analysis of movements in share capital and capital reserves			
At 1st January 1994	7,484	1,205	8,689
At 1st January 1995	7,484	1,205	8,689
Issue of shares	23	101	124
At 31st December 1995	7,507	1,306	8,813

	Loans £000	Cash and cash equivalents £000	Total £000
Analysis of movements in loans and cash balances			
At 1st January 1994	(17,493)	(832)	(18,325)
Decrease in loans and net cash inflow	10,497	273	10,770
Foreign exchange movements	479	(142)	337
At 1st January 1995	(6,517)	(701)	(7,218)
Decrease in loans and net cash inflow	2,179	320	2,499
Foreign exchange movements	(40)	20	(20)
At 31st December 1995	(4,378)	(361)	(4,739)

Notes to the Financial Statements

for the year ended 31st December 1995

Note 25 Other financial commitments

The Group rents numerous premises operated under leases whose terms, conditions and expiry dates vary considerably. The aggregate annual rental costs of these premises amounted to £1,478,000 in 1995 (1994 - £1,173,000).

The net commitment in respect of operating leases in 1996 is as follows:

	Land & buildings occupied by Group £000	Land & buildings not occupied by Group £000	Other £000	Total £000
For leases expiring				
within one year	131	-	5	136
between two and five years	523	9	4	536
beyond five years	271	202	-	473
	925	211	9	1,145

Note 26 Pension costs

The Company operates a funded pension scheme providing benefits based on final pensionable salary. The scheme is administered by Trustees separately from the affairs of the Group and is contracted out of the additional component of the State Pension Scheme.

R Watson & Sons, Consulting Actuaries, carried out an actuarial valuation of the Scheme as at 30th April 1995. On the actuarial basis used, as at that date the assessed value of the assets was 91% of the capitalised value of the accrued benefits, allowing for expected future increases in pensionable earnings to Normal Pension Age, treating the scheme as an on-going entity.

The market value of the investments held in the scheme as at the valuation date was taken to be £4,957,000. In addition there were pensions in payment secured by the purchase of annuities.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of investment return on future net cash flow, the rate at which dividends on UK equities grow and the rate of increase in pensionable earnings. These rates were set relative to an assumed long-term rate of price inflation of 4% per annum.

The assumed future rate of investment return, used to discount projected income and outgoing benefits, was a real rate of 4.5% per annum relative to price inflation. For the purposes of the valuation, the investment assets were assumed to be invested wholly in UK equities and dividends were assumed, over the long-term future, to grow in line with price inflation. Pensionable earnings were assumed to increase at a rate of 3% per annum ahead of price inflation.

The employer's contribution rate is calculated using the projected unit method and the shortfall of assets as at 30th April 1995 is amortised as a constant percentage of members' earnings over the average expected working lifetime of the active members.

The employer's contribution rate payable from 1st January 1995 was 9% of members' earnings. This has been increased to 10.5% of members' earnings from 1st January 1996 and will continue to be subject to actuarial review in the light of the experience of the scheme and the requirements of legislation.

The members' contribution rate remains at 5% of earnings.

The pension charge for the year was £296,000 (1994 - £224,000).

Note 27 Share option schemes

At 31st December 1995 options to subscribe for 4,841,527 ordinary shares had been granted under the Employee Share Option Scheme. Options are exercisable, subject to the rules of the Scheme, on specified dates until October 2004, at prices between 45p and 145p per share.

At 31st December 1995 options to subscribe for 1,213,221 ordinary shares had been granted under the Savings Related Share Option Scheme. Options are exercisable, subject to the rules of the Scheme, from December 1995 at 76p, from November 1996 at 56p and from November 2000 at 60p per share.

Five Year Summary

	1991 £000	1992 £000	1993 £000	1994 £000	1995 £000
Group profit and loss account					
Turnover					
Continuing operations	90,068	85,950	99,060	112,115	129,116
Discontinued operation	10,468	10,364	11,486	5,620	-
	100,536	96,314	110,546	117,735	129,116
Operating profit before exceptional items					
Continuing operations	5,200	4,681	5,044	4,698	6,672
Discontinued operation	1,623	863	1,096	427	-
	6,823	5,544	6,140	5,125	6,672
Exceptional items	-	(2,534)	-	(4,209)	-
Operating profit after exceptional items	6,823	3,010	6,140	916	6,672
Interest payable less receivable	(1,518)	(1,304)	(1,625)	(997)	(360)
Profit (loss) before taxation	5,305	1,706	4,515	(81)	6,312
Taxation	(1,005)	(1,025)	(1,174)	(1,459)	(1,974)
Profit (loss) after taxation	4,300	681	3,341	(1,540)	4,338
Earnings (loss) per share - FR53 basis	5.81p	0.91p	4.46p	(2.06p)	5.79p
Earnings per share - before exceptional items	5.81p	4.30p	4.46p	3.57p	5.79p
Dividends per share	3.15p	3.15p	3.15p	3.15p	3.15p
Group balance sheet					
Tangible fixed assets	18,273	18,294	18,388	2,007	1,916
Investments	1,034	-	-	856	969
Total fixed assets	19,307	18,294	18,388	2,863	2,885
Current assets	13,700	12,616	16,088	15,094	16,280
Current liabilities and provisions	(9,711)	(10,329)	(10,495)	(8,183)	(9,776)
Net operating assets	23,296	20,581	23,981	9,774	9,389
Net borrowings	(13,479)	(13,228)	(18,325)	(7,218)	(4,739)
Net assets	9,817	7,353	5,656	2,556	4,650
Share capital	7,484	7,484	7,484	7,484	7,507
Share premium account	1,205	1,205	1,205	1,205	1,306
Acquisition reserve	(12,561)	(12,533)	(14,719)	(14,106)	(14,106)
Other reserves	13,689	11,197	11,686	7,973	9,943
Equity shareholders' funds	9,817	7,353	5,656	2,556	4,650
Group cash flow statement					
Net cash inflow from operating activities	9,098	7,735	5,171	4,605	7,380
Interest and dividends paid	(3,645)	(3,690)	(3,824)	(3,594)	(2,873)
Tax paid	(2,016)	(1,439)	(882)	(1,264)	(1,409)
Net (investment in) proceeds from fixed assets and acquisitions less disposals	(1,276)	(1,047)	(5,428)	11,023	(723)
Net cash flow before financing	2,161	1,559	(4,963)	10,770	2,375
Issue of shares	(5)	-	-	-	(124)
Decrease (increase) in loans and finance leases	814	-	(1,148)	10,497	2,179
Increase (decrease) in cash and cash equivalents	1,352	1,559	(3,815)	273	320
	2,161	1,559	(4,963)	10,770	2,375

Shareholder Information

Financial calendar

Announcement of 1996 results

For the half-year	September 1996
For the year	March 1997
Annual Report and Accounts circulated	April 1997
Annual General Meeting	May 1997

Dividends

Proposed final dividend 1995

Announcement	25th March 1996
Ex-dividend	15th April 1996
Record date	23rd April 1996
Payment date	24th May 1996

Interim dividend 1996 (provisional)

Announcement	September 1996
Payment	October 1996

Analysis of shareholdings

At the date of this report, the Company has 771 shareholders who hold over 75 million ordinary shares between them, analysed as follows:

Size of holding	Number of shareholders	% of shareholders	Number of shares	% of shares
1 - 5,000	481	62.4	811,827	1.1
5,001 - 50,000	193	25.0	2,986,325	4.0
50,001 - 100,000	20	2.6	1,635,318	2.2
100,001 and over	77	10.0	69,640,888	92.7
	771	100.0	75,074,358	100.0

Type of shareholder

Individuals	515	66.8	3,981,268	5.3
Nominee companies*	203	26.3	61,018,260	81.3
Other corporate and public bodies	38	4.9	5,893,811	7.8
Trust companies	15	2.0	4,181,019	5.6
	771	100.0	75,074,358	100.0

*This category includes the beneficiaries of pension funds, unit trusts, life assurance companies and investment trusts.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN, that the tenth Annual General Meeting of the Company will be held at The Britannia Inter-Continental Hotel, Grosvenor Square, London W1A 3AN on 16th May 1996 at 12 noon for the following purposes:

Ordinary business

1. To receive and consider the financial statements, together with the reports of the directors and auditors, for the year ended 31st December 1995.
2. To declare a final dividend.
3. To re-elect C Goodson-Wickes as a director.
4. To re-elect C R Chapman as a director.
5. To re-appoint Coopers & Lybrand as the auditors, to act as such until the conclusion of the next Annual General Meeting and to authorise the directors to fix the auditors' remuneration.

Special business

6. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

That, the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) pursuant to the authority conferred by Ordinary Resolution numbered 6 at the Annual General Meeting of the Company held on 17th May 1995, as if subsection (1) of Section 89 of that Act did not apply to any such allotment, provided that this power shall be limited to:

(i) the allotment of equity securities in connection with any rights issue in favour of ordinary shareholders on the register of members at such record date or dates as the directors may determine for the purpose of the issue where the equity securities respectively attributable to the interests of all such holders of ordinary shares are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them at any such record date or dates so determined, provided that the directors may make such arrangements or exclusions as they consider necessary or expedient in respect of fractional entitlements or legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange;

(ii) the allotment of equity securities pursuant to the terms of any share scheme for employees approved by shareholders in general meeting; and

(iii) the allotment (otherwise than pursuant to sub-paragraphs (i) or (ii) above) of equity securities up to an aggregate nominal amount of £375,000;

and shall expire on the date of the next Annual General Meeting of the Company after the date of passing of this resolution, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding that this power has expired.

7. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

That, pursuant to Article 44 of the Company's Articles of Association, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 (3) of the Companies Act 1985) of ordinary shares of 10p each in the capital of the Company provided that:

(i) the maximum number of ordinary shares hereby authorised to be purchased is 7,500,000, representing approximately 10 per cent of the issued ordinary share capital at 25th March 1996;

(ii) the minimum price which may be paid for each ordinary share is 10p per share which amount shall be exclusive of expenses;

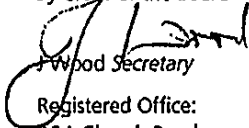
(iii) the maximum price which may be paid for each ordinary share is, in respect of an ordinary share contracted to be purchased on any day, an amount (exclusive of expenses) equal to 105 per cent of the average of the mid-market quotations for an ordinary share of the Company as derived from the Daily Official List of the London Stock Exchange for the 10 business days immediately preceding the day on which the ordinary share is purchased;

Notice of Annual General Meeting

(iv) the authority hereby conferred shall expire on the date of the next Annual General Meeting of the Company after the date of passing this resolution, unless such authority is renewed prior to such time; and

(v) the Company may conclude a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract as if the authority hereby conferred had not expired.

By order of the Board


J. Wood Secretary

Registered Office:
20A Church Road
Welwyn Garden City
Hertfordshire AL8 6PS

25th March 1996

1. A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. To be valid, proxies must be lodged with the Registrar of the Company not later than 48 hours before the time appointed for the Meeting.
2. Copies of all service agreements of more than one year's duration between the Company and the directors will be available for inspection at the registered office of the Company during normal business hours on each business day from the date of this notice until the date of the Meeting and at the place of the Meeting from 15 minutes before and until the end of the Meeting.